

Message Text

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PAGE 01 MONROV 00427 191145Z
ACTION AF-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-06 TRSE-00 ACDA-12 OPIC-03 /116 W
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FM AMEMBASSY MONROVIA
TO SECSTATE WASHDC 7793

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E.O. 11652 N/A
TAGS: EINV, ENRG, LI
SUBJECT: OIL REFINERY NEGOTIATIONS

REF: MONROVIA 8854

1. DONALD EDENS, COASTAL STATES GAS CORPORATION REPRESENTATIVE, INFORMED E/C COUNSELOR THAT HE AND GOL NEGOTIATORS HAVE FINALLY COME UP WITH WHAT HE HOPES WILL BE ACCEPTABLE WORDING ON A JOINT VENTURE REFINERY CONCESSION AGREEMENT. GOL HAS REPORTEDLY AGREED TO STUDY IT CAREFULLY AND THEN GET IN TOUCH WITH COASTAL STATES. IF CONCESSION AND INVESTMENT COMMISSION APPROVES AGREEMENT, EDEN SAID CHAIRMAN OF CASTAL STATES OSCAR WYATT WILL COME TO MONROVIA NEXT WEEK TO SIGN AGREEMENT.

2. ACCORDING TO EDEN, THE AGREEMENT PROVIDES FOR A GUARANTEED 25 PERCENT RETURN ON GROSS INVESTMENT (WORKING CAPITAL AND EQUITY CAPITAL; HE INSISTED THAT BORROWED CAPITAL IS NOT INCLUDED). EDEN CLAIMED THAT THIS RETURN IS NOT EXCESSIVE SINCE COASTAL STATES IS PROVIDING ALL THE NEW CAPITAL, TECHNICIANS, AND MANAGEMENT STAFF.

3. EDEN ADDED THAT UNDER THE UTILITY PRICING CONCEPT INCORPORATED
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PAGE 02 MONROV 00427 191145Z

IN THE AGREEMENT, Refined PRODUCTS CAN BE LOWERED ON AN AVERAGE OF THREE CENTS PER GALLON. HE SAID GOL OFFICIALS FIND THIS DIFFICULT TO BELIEVE.

4. GOL INSISTENCE THAT IT ARRANGE FOR SUPPLYING THE CRUDE CAUSED SOME PROBLEMS. EDEN SAID COASTAL STATES WANTED TO SUPPLY THE CRUDE. SINCE IT HAS A LARGE FLEET OF TANKERS, IT FELT IT

COULD GET THE LOWEST PRICES AND COULD ASSURE UNINTERRUPTED CRUDE DELIVERY. EDEN CONJECTURED THAT GOL SEEMED TO BE MORE INTERESTED IN EMPLOYING ITS LONE TANKER TO CARRY CRUDE THAN IN BUYING CRUDE FROM THE CHEAPEST SOURCE. EDEN INDICATED THAT IF GOL CAN ASSURE UNINTERRUPTED CRUDE DELIVERY TO REFINERY AT CHEAPEST WORLD PRICES, COASTAL STATES WOULD NOT OBJECT TO GOL PROCUREMENT OF CRUDE.

5. E/C COUNSELOR MENTIONED THAT DURING VISIT OF COMBUSTION ENGINEERING REPS TO EMBASSY LAST WEEK, THEY HAD STATED THAT THEY WOULD BE TALKING TO FINANCE MINISTRY OFFICIALS ABOUT THE REFINERY. EDEN SAID HE HAD MET AND TALKED TO THEM. HE HAD HEARD THAT THEY HAD BEEN ASKED TO SUBMIT A REFINERY OPERATING PROPOSAL WITHIN TWO WEEKS. EDEN ADMITTED HE WAS NOT SURPRISED BECAUSE HE FELT SOME GOL OFFICIALS WERE BECOMING INCREASINGLY CONFIDENT REFINERY'S PRESENT PERSONNEL COULD OPERATE REFINERY WITH MINIMUM OF OUTSIDE HELP. EDEN THEN REITERATED THAT COASTAL STATES WAS SEEKING APPROVAL OF A JOINT EVNTURE PROPOSAL. -- A FAR CRY FROM A MERE OPERATING AGREEMENT. EDEN CONCLUDED BY STRESSING THAT COASTAL STATES IS STILL CONTINUING NEGOTIATIONS.

CARTER

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